

panic would have ensued rivalling in severity any in our history." <sup>1</sup> The New York Clearing House banks refused to accept immunity from reserve requirements, and the policy of deposit of public money in the banks against engagements of gold for import, which was first adopted in 1906, was deliberately abandoned by Secretary Cortelyou in 1907.<sup>2</sup>

All these difficulties in the administration of existing law afforded accumulating proof of the necessity for radical changes in the American monetary system. Surplus reserves in the New York banks, which were impaired but once from, the panic of 1893 to the autumn of 1902, fell below the legal requirement in September of that year, and again twice in 1905 and four times in 1906.<sup>3</sup> When finally, in the autumn of 1905, rates for call money in New York rose on one occasion as high as 125 per cent., the deficiencies of the existing system were again brought into such prominent relief that it was generally felt that the time had come for action. Mr. Jacob H. Schiff, a well-known international banker, took the lead in endeavoring to secure new legislation by the presentation of a resolution to the New York Chamber of Commerce, which was adopted in December, 1905, providing for the appointment of a special committee of the Chamber to frame a currency measure. This committee, after consulting with the heads of leading foreign banks, made a report which was adopted by the Chamber of Commerce, November 1, 1906.

The creation of a central bank of issue was recommended by the Chamber of Commerce committee. It was proposed

<sup>1</sup> Finance Report, 1906, 37.

<sup>2</sup> In his response to the Senate in regard to his policy during the panic, Mr. Cortelyou said, "The Secretary did not feel called upon at any stage of the crisis to interfere directly with the normal movement of gold between international markets." Sen. Doc. 208<sup>th</sup> 60th Congress, 1st Session, 13. Andrew declares that the policy adopted by Mr. Shaw "was an objectionable interference with the free movement of gold reminiscent of mercantilist measures of the seventeenth century."—"The Treasury and the Banks under Secretary Shaw" in *Quarterly Journal of Economics*, August, 1907, XXI., 547.

<sup>3</sup> Andrew\* *idem.*, 561.